

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Keene Township	County Ionia
Audit Date 3/31/05	Opinion Date 8/25/05	Date Accountant Report Submitted to State: 9/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

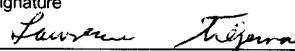
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lawrence Tiejema, PC			
Street Address 1187 Hawley Highway	City Saranac	State MI	ZIP 48881
Accountant Signature 		Date 09/23/2005	

KEENE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

August 25, 2005

The Township Board
Keene Township
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Keene Township, Ionia County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

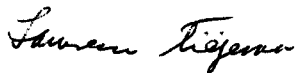
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Keene Township, as of March 31, 2005, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 25, 2005, on my consideration of Keene Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keene Township's basic financial statements. The governmental schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC.

August 25, 2005

Management Discussion and Analysis

Keene Township has faced many financial challenges in recent years while providing necessary services to its citizens. During the past year the township's revenues exceeded expenditures by \$23,562, allowing the township's net assets to grow to \$247,457. This reserve is available to fund necessary road maintenance, information technology, public safety and ambulance services, and respond to major problems and disasters such as road and/or bridge failures.

Financial Highlights

- (1) Net assets rose \$23,562 during the past fiscal year. This raised the township's net assets from \$223,895 to \$247,457. Capital assets including building, equipment, and township property represent \$30,165 of this reserve while \$217,292 represents cash reserves.
- (2) Keene Township received \$3,294 from telecom fees paid by utility companies to use the rights-of-way along Keene Township roads.
- (3) Road expenditures dropped during the past fiscal year from \$65,827 to \$42,020. Although only \$31,440 had been originally budgeted for roads, this amount was raised so that additional road work could be done including tube work on Sayles Road, stump removal on Bowen and Whites Bridge Roads, and hydro axing on Chickering and Richmond Roads.
- (4) The township had anticipated only \$103,000 in state revenue sharing, but it actually received \$110,860. Though higher than anticipated, state revenue sharing for the year ended March 31, 2005, was \$4,124 less than in the prior fiscal year.
- (5) Keene Township has changed its ambulance carrier from Lowell Rockford EMS to Belding city ambulance in an effort to improve response times. Though the new contract with Belding ambulance involves a 3-year commitment at additional costs of over \$4,000 per year, the contract provides that Keene Township may cancel the contract if certain performance standards are not met. The contract allows Keene Township to opt out if 20% of the ambulance responses in the southern part of the township exceed 12 minutes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Township governments may have activities that are intended to recover all or a significant portion of their costs through user fees and charges. Keene Township has no such activities. All financial resources and expenditures are maintained in the general fund. The township also has a tax agency fund which collects real and personal property taxes and disburses these tax revenues to the appropriate governmental units including Keene Township's general fund. Through its general fund, Keene Township provides for general government, public safety, public works, cemeteries, and planning and zoning. The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Keene Township has one fiduciary fund, the tax agency fund.

The basic fiduciary fund statements for the tax agency fund can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the financial statements can be found on pages 17-28 of this report.

Keene Township's Net Assets

Keene Township's Net Assets	
	Governmental Activities
Current and other assets	219,792
Capital assets	30,165
Total assets	249,957
Long-term liabilities outstanding	
Other liabilities	2,500
Total liabilities	2,500
Net assets:	
Invested in capital assets, net of related debt	30,165
Restricted	
Unrestricted	217,292
Total net assets	247,457

Keene Township's assets consist of cash, certificates of deposit, building and equipment, and township real estate. Of the cash assets of \$176,275 as of March 31, 2005, \$128,472 is deposited in the township's checking account and \$47,903 is held in certificates of deposit yielding interest rates from 1.25% to 2.00%. The other \$43,417 in current assets consists of taxes and fees receivable from the 2004 tax collection.

Keene Township's only liability is the pension contribution it will make for the township board and appointed officials. Typically, Keene Township makes its pension contributions when the pension trustee notifies the township of the cost of contributions and administrative fees. This notification occurs after the fiscal year ends. The estimated pension liability of Keene Township for the fiscal year ended March 31, 2005, is \$3,000. The Township has already paid \$500 to the pension trustee, leaving a balance of \$2,500.

Keene Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program revenue:	
Charges for services	8,767
Capital grants and contributions	-
General revenue:	
Property taxes	44,622
State Sources	110,957
Other	3,542
Total revenue	<u>167,888</u>
Expenses:	
General government	53,240
Legislative	7,688
Public safety	19,037
Public works	44,850
Planning and Zoning	14,148
Cemetery	5,363
Total expenses	<u>144,326</u>
Increase (decrease) in net assets	<u>23,562</u>
Net assets – beginning of year	223,895
Net assets – end of year	<u><u>247,457</u></u>

After running a deficit of \$7,699 in the prior fiscal year as a result of completing road projects and purchasing additional land for the Pinckney Road cemetery, the township board adopted a conservative budget in anticipation of severe state revenue sharing cuts. Revenue sharing represents approximately 70% of the Township's revenues.

Continued rapid residential growth in Keene Township, especially in the western half, has generated increased fees for building permits and lot splits of \$4,477 and helped offset the \$14,148 cost of zoning and planning.

A combination of better than expected state revenue sharing, increased property tax revenues plus added fees for property tax administration, the additional revenue source of a \$3,294 telecom user fee, and a frugal budget resulted in a surplus of \$23,562 for the fiscal year ending on March 31, 2005.

Keene Township's Capital Assets

Keene Capital Assets – net of depreciation

	Governmental activities
Land	13,795
Construction in Progress	-
Buildings and Improvements	14,570
Machinery and Equipment	1,800
Total Assets	30,165

The Keene Township board has been conservative in the purchase of its capital assets. The township hall, including well and septic, cost a total of approximately \$31,160 in 1980. Except for the addition of air-conditioning and the paving of the parking lot, no major expenditures have been committed to the township's facilities except for normal and periodic maintenance. The township's major equipment consists of computers used by the clerk and treasurer, furniture, and a copy machine. The maximum amount of use is extracted from each asset before it is replaced. In May 2003 the Township purchased land adjacent to the Pinckney Cemetery for \$13,795. This allows for expansion as needed by Keene Township residents.

Keene Township – Past and Future

For the year ended March 31, 2005, Keene Township ran a surplus of \$23,562 in comparison to a deficit of \$7,699 in the year ended March 31, 2004. This caused the township's fund balance to rise to \$247,457. Since Keene Township carries no debt, all of this amount can be used to fund needed operations and emergencies. These reserves represent 1.54 times the township's normal expenditures for a year.

A large cash reserve is appropriate because of the fiscal challenges Keene Township faces in the near future. Increasing numbers of residents are moving into Keene Township and putting stress on township gravel roads that were designed for farm and light residential use. Though the County of Ionia is charged with the responsibility to maintain township roads, funds provided through the State of Michigan frequently fall short. Because of this, the township board has authorized several projects in recent years to address the most demanding problems of township roads. In the event of complete road and bridge failures, the cash reserve can aid in restoring the necessary service that Keene Township residents need to fulfill their transportation needs.

In addition to the need to upgrade roads, Keene Township also faces the following challenges: (1) sharing the cost of new equipment of the Saranac Fire Department; (2) upgrading computer technology; (3) possibility of legal costs; and (4) threat of additional revenue sharing cuts. The Township recently shared in the cost of a large tanker purchased by the Saranac Volunteer Fire Department, but other fire equipment is in need of upgrading and replacing. The Township is obliged to share in this cost. Regarding computer technology, both computers will need to be replaced in the coming years to keep up with the demands of the software that monitors tax collections and voter files. The township is presently getting by with a 1990 copy machine that must be replaced in the near future. Regarding legal costs, the activity of enforcing zoning and planning laws which promote township welfare could result in the township having to defend itself in court. To defend itself against an ambitious developer, the Township could easily spend \$20,000 or more.

Conservative fiscal management has provided the reserve necessary for the above possible contingencies. Keene Township is well positioned to meet the normal financial emergencies of the future.

KEENE TOWNSHIP
STATEMENT OF NET ASSETS

March 31, 2005

	<u>Governmental Activities</u>
Assets	
Cash and deposits	\$ 176,375
Receivables	
Taxes	3,617
Due from other funds	39,800
Capital assets, net of accumulated depreciation	<u>30,165</u>
Total Assets	<u>249,957</u>
Liabilities	
Accounts payable	<u>2,500</u>
Total Liabilities	2,500
Net Assets	
Invested in capital assets, net of related debt	30,165
Unrestricted net assets	<u>217,292</u>
Total net assets	<u><u>247,457</u></u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Service	
Primary government			
Governmental activities:			
General government	\$ 53,240	\$ 4,290	\$ 48,950
Legislative	7,688		\$ 7,688
Public safety	19,037		\$ 19,037
Public works	44,850		\$ 44,850
Planning and Zoning	14,148	4,477	\$ 9,671
Cemetery	5,363		\$ 5,363
Total government activities	<u>144,326</u>	<u>8,767</u>	<u>135,559</u>

The accompanying notes are an integral part of these financial statements.

(Continued)

KEENE TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Governmental Activities</u>
Changes in net assets	
Net (expense) revenue	(135,559)
General revenues:	
Property taxes	44,622
State revenues	110,957
Investment earnings	<u>3,542</u>
Total general revenues	<u>159,121</u>
Change in net assets	23,562
Net assets, beginning of year	<u>223,895</u>
Net assets, end of year	<u><u>247,457</u></u>

(concluded)

The accompanying notes are an integral part of these financial statements.

**KEENE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

<u>ASSETS</u>	<u>GENERAL FUND</u>
Cash and deposits	\$ 176,375
Receivables:	
Taxes	3,617
Due from other funds	39,800
	<u>219,792</u>
TOTAL ASSETS	<u>219,792</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
Accounts payable and accrued expenditures:	
Accounts payable	2,500
	<u>2,500</u>
TOTAL LIABILITIES	<u>2,500</u>
FUND BALANCE	
Undesignated	217,292
	<u>217,292</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 219,792</u>

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

Fund balance -- total governmental funds.....	217,292
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- capital assets.....	64,286
Deduct -- accumulated depreciation.....	(34,121)
Net assets of governmental activities.....	<u>247,457</u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL FUND
REVENUES:	
Property taxes	\$ 44,622
State sources	110,957
Charges for services	7,771
Interest	3,542
Other	996
TOTAL REVENUES	167,888
EXPENDITURES:	
General government	52,724
Legislative	6,203
Public safety	19,037
Public works	44,850
Planning and zoning	14,148
Cemetery	5,363
TOTAL EXPENDITURES	142,325
REVENUES OVER EXPENDITURES	25,563
NET CHANGE IN FUND BALANCES	25,563
FUND BALANCE, BEGINNING OF YEAR	191,729
FUND BALANCE, END OF YEAR	\$ 217,292

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances -- total government funds.....	25,563
Government funds expense capital outlays in the current year while the Statement of Net Assets allocates them over useful life:	
Deduct - depreciation expense.....	(2,001)
Change in net assets of government activities.....	<u>\$ 23,562</u>

The accompanying notes are an integral part of these financial statements.

**KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes	37,000	37,000	44,622	7,622
State sources	103,000	103,000	110,957	7,957
Charges for services	3,500	3,500	7,771	4,271
Interest	2,200	2,200	3,542	1,342
Other	0	0	996	996
TOTAL REVENUES	145,700	145,700	167,888	22,188
EXPENDITURES				
General government	54,960	57,346	52,724	4,622
Legislative	8,000	8,000	6,203	1,797
Public safety	18,800	19,037	19,037	0
Public works	34,440	45,020	44,850	170
Planning and zoning	23,900	23,900	14,148	9,752
Cemetery	5,600	5,600	5,363	237
Contingency	0	178,526	0	178,526
TOTAL EXPENDITURES	145,700	337,429	142,325	195,104
REVENUES OVER (UNDER) EXPENDITURES	0	(191,729)	25,563	217,292
NET CHANGE IN FUND BALANCES	0	(191,729)	25,563	217,292
FUND BALANCE, BEGINNING OF YEAR	191,729	191,729	191,729	-
FUND BALANCE, END OF YEAR	<u>191,729</u>	<u>0</u>	<u>217,292</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
FIDUCIARY FUND
TAX AGENCY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2005

Assets

Cash in bank	\$ 39,800.00
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Liabilities

Due to other funds	<u>\$ 39,800.00</u>
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STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

Receipts

Tax Collections	\$ 1,093,168
Interest income	<u>703</u>

Total cash receipts	1,093,871
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Disbursements

Tax payments to government agencies	<u>1,091,550</u>
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Total cash disbursements	<u>1,091,550</u>
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Total receipts over (under) disbursements	2,321
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Cash balance at the beginning of the year	<u>37,479</u>
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Cash balance at the end of the year	<u>\$ 39,800</u>
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The accompanying notes are an integral part of these financial statements.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keene Township was organized on April 4, 1842, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (fire, ambulance), road maintenance, cemetery, public improvements, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the a financial report on all funds of Keene Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Keene Township has no business-type activities or funds.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Agency funds follow the accrual basis of accounting and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

General Fund – This fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund type:

Tax Agency Fund – This fund is used to account for property tax collections from real and personal property owners in Keene Township, and the fund's disbursements to the applicable government entities and agencies.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the Statement of Net Assets and the Statement of Activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data which is reflected in the financial statements:

1. The budgets are generated with input from various department heads, the township supervisor, clerk, treasurer, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

Investments

Investments are stated at fair value.

Restricted Assets

Certain proceeds may set-aside or restricted for the repayment of debt obligations, a planned capital project, or for any other special purpose. Keene Township has no restrictions on its net assets.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental funds in the government-wide financial statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

	Depreciable <u>Life-Years</u>
Building and structures.....	10 - 40
Furniture and equipment.....	5 - 15
Building and lot improvements.....	15
Trucks and vehicles.....	5
Machinery and equipment.....	5 - 15

Property Taxes

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township; summer taxes are collected for other entities within the Township.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Fund Equity

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The general fund of Keene Township has no reservation or designations of its \$217,292 general fund equity.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group.

The insurance limitations are: Property, \$154,444; Liability, \$2,000,000; Wrongful acts, \$1,000,000. In addition, the Township has boiler insurance on its heating plant.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

2. CASH AND DEPOSITS AND INVESTMENTS

The cash and deposits, investments and restricted assets for the Township and its component unit are as follows:

	Governmental Activities	Agency	Total
Deposits:			
Cash and deposits	128,472	39,800	168,272
Restricted cash and deposits	-	-	0
Investments	47,903	-	47,903
	<u>176,375</u>	<u>39,800</u>	<u>216,175</u>

The carrying amount of the Township's deposits at March 31, 2005, is \$168,272. All of these deposits are insured by the Federal Deposit Insurance Corporation. In accordance with the State of Michigan policy limits, these deposits are all deposited in a Michigan bank. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

Statutory Authority

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

4. Banker's acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Keene Township are in Category 1, registered and insured and are listed as follows:

<u>Depository</u>	<u>Account</u>	<u>Amount @ 03/31/05</u>
General Fund:		
Ionia County National Bank	General Fund checking account	\$ 128,472
Ionia County National Bank	General Fund certificates of deposit	47,903
Ionia County National Bank	Operating acct – Tax Agency Fund	<u>39,800</u>
TOTAL DEPOSITED FUNDS		<u>\$ 216,175</u>

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

3. CAPITAL ASSETS

A summary of changes in Capital Assets follows:

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	13,795			13,795
Capital assets, being depreciated:				
Building	31,160			31,160
Building improvements	8,950			8,950
Machinery and equipment	10,381			10,381
Total assets being depreciated	50,491			50,491
Less accumulated depreciation for:				
Building	18,336	778		19,114
Building improvements	5,829	597		6,426
Machinery and equipment	7,955	626		8,581
Total depreciation charged	32,120	2,001		34,121
Total capital assets, being depreciated net	18,371			16,370
Governmental activities capital assets, net	<u>32,166</u>			<u>30,165</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government.....	\$ 516
Legislative.....	<u>1,485</u>
Total depreciation expense.....	\$ 2,001

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

4. CONTRIBUTORY PENSION PLAN

Keene Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are the elected officials and zoning administrator. The Township contributes according to the participants compensation in the following manner:

Participants who earn less than \$400	\$ 100
Participants who earn \$400 to \$799	200
Participants who earn \$800 to \$1,999	300
Participants who earn \$1,200 to \$1,599	400
Participants who earn \$1,600 or more	500

No contributions are made by the participants. During the year ended March 31, 2005, the Township's contributed \$3,346 for wages paid from April 20, 2003, through April 19, 2004, and \$500 toward the estimated pension liability of \$3,000 for wages paid from April 20, 2004, through April 19, 2005.

5. LITIGATION

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

KEENE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

6. DUE FROM (TO) OTHER FUNDS

Amounts due from (to) other funds representing interfund receivable and payable balances at March 31, 2005, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	-	\$ 39,800
Tax Agency Fund	\$ 39,800	-

“Due to” and “due from” balances represent amounts in the tax-agency fund which may be transferred into the general fund.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grant, and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, and Planning and Zoning.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes				
Current property taxes	30,000	30,000	41,990	11,990
Delinquent property taxes	7,000	7,000	2,632	(4,368)
Total taxes	<u>37,000</u>	<u>37,000</u>	<u>44,622</u>	<u>7,622</u>
State sources				
State revenue sharing	103,000	103,000	110,860	7,860
Commercial forest tax	0	0	97	97
Total state revenue	<u>103,000</u>	<u>103,000</u>	<u>110,957</u>	<u>7,957</u>
Charges for services:				
Building permits	2,500	2,500	3,027	527
Lot splits	1,000	1,000	1,450	450
Telecom	0	0	3,294	3,294
Total fee revenue	<u>3,500</u>	<u>3,500</u>	<u>7,771</u>	<u>4,271</u>
Investment revenue:				
Interest earnings	<u>2,200</u>	<u>2,200</u>	<u>3,542</u>	<u>1,342</u>
Other revenue	<u>0</u>	<u>0</u>	<u>996</u>	<u>996</u>
TOTAL REVENUES	<u>145,700</u>	<u>145,700</u>	<u>167,888</u>	<u>22,188</u>

KEENE TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGETED AMOUNTS			VARIANCE WITH FINAL
	ORIGINAL	FINAL	ACTUAL	POSITIVE (NEGATIVE)
EXPENDITURES				
General government				
Supervisor	7,200	7,200	6,951	249
Elections	2,700	2,700	2,136	564
Assessor	8,600	8,600	8,598	2
Clerk	7,550	7,550	7,367	183
Board of review	850	942	942	0
Treasurer	10,660	10,660	10,202	458
Townhall	10,700	12,414	10,865	1,549
Audit & legal	3,200	3,200	1,989	1,211
Pension plan	2,800	3,380	3,000	380
Employment taxes	700	700	674	26
Total general government	<u>54,960</u>	<u>57,346</u>	<u>52,724</u>	<u>4,622</u>
Legislative	<u>8,000</u>	<u>8,000</u>	<u>6,203</u>	<u>1,797</u>
Public safety				
Fire department contributions	12,000	12,237	12,237	0
Ambulance	6,800	6,800	6,800	0
Total public safety	<u>18,800</u>	<u>19,037</u>	<u>19,037</u>	<u>0</u>
Public works				
Roads	31,440	42,020	42,020	0
Drains	3,000	3,000	2,830	170
Total Public Works	<u>34,440</u>	<u>45,020</u>	<u>44,850</u>	<u>170</u>

KEENE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2005

Planning and zoning				
Zoning administrator	11,700	11,700	8,424	3,276
Zoning board of appeals	300	300	225	75
Planning commission	11,900	11,900	5,499	6,401
Total Planning and Zoning	<u>23,900</u>	<u>23,900</u>	<u>14,148</u>	<u>9,752</u>
Cemetery	<u>5,600</u>	<u>5,600</u>	<u>5,363</u>	<u>237</u>
Contingency	<u>0</u>	<u>178,526</u>	<u>0</u>	<u>178,526</u>
TOTAL EXPENDITURES	<u>145,700</u>	<u>337,429</u>	<u>142,325</u>	<u>195,104</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>0</u>	<u>(191,729)</u>	<u>25,563</u>	<u>217,292</u>
NET CHANGE IN FUND BALANCES	0	(191,729)	25,563	217,292
FUND BALANCE, BEGINNING OF YEAR	<u>191,729</u>	<u>191,729</u>	<u>191,729</u>	-
FUND BALANCE, END OF YEAR	<u><u>191,729</u></u>	<u><u>0</u></u>	<u><u>217,292</u></u>	-

TAX AGENCY FUND

The Keene Township Tax Agency Fund collects all personal and real property taxes assessed on real and personal property in the township. It disburses these funds to the appropriate governmental entities including school districts, the County of Ionia, and the Township's general fund.

KEENE TOWNSHIP -- TAX AGENCY FUNDS

RECEIPTS AND DISBURSEMENTS BY MONTH

FOR THE YEAR ENDED 03/31/05

PERIOD	OPENING BALANCE	RECEIPTS	INTEREST	DISBURSE- MENTS	CLOSING BALANCE
APRIL 04	37,479.16	676.78	24.69	641.45	37,539.18
MAY 04	37,539.18	0.00	25.44	0.00	37,564.62
JUNE 04	37,564.62	0.00	0.00	37,564.62	0.00
JULY 04	0.00	33,177.01		17,914.88	15,262.13
AUGUST 04	15,262.13	41,036.78		40,825.93	15,472.98
SEPTEMBER 04	15,472.98	138,299.73	41.38	146,564.96	7,249.13
OCTOBER 04	7,249.13	5,299.26	1.94	7,213.85	5,336.48
NOVEMBER 04	5,336.48	452.59	0.99	3,617.00	2,173.06
DECEMBER 04	2,173.06	232,806.01	61.17	72,958.48	162,081.76
JANUARY 05	162,081.76	342,080.33	300.61	342,604.69	161,858.01
FEBRUARY 05	161,858.01	297,029.31	183.63	394,652.64	64,418.31
MARCH 05	64,418.31	2,310.71	62.89	26,991.80	39,800.11
TOTALS		1,093,168.51	702.74	1,091,550.30	

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

August 25, 2005

The Township Board
Keene Township
Ionia County, Michigan

I have audited the financial statements of the governmental activities and the aggregate remaining fund information of the Township of Keene, State of Michigan, as of and for the year ended March 31, 2005, which collectively comprise Keene Township's basic financial statements and have issued a report thereon dated August 25, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

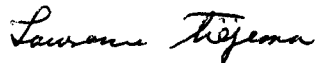
In planning and performing my audit, I considered the Keene Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keene Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lawrence Tiejema, PC.

August 25, 2005